

HSBC Executor & Trustee Company (UK) Limited
Registered No: 362578

Annual Report and Financial Statements for the year ended 31 December 2017



HSBC 

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Strategic report

Principal activities

The Entity's principal activity is the administration of estates and trusts. The Entity has made no significant change during the period. The Entity has no employees, and all related services are provided by the parent company.

Review of the Entity's business

Drawing on the strength of HSBC Group and the most suitable products from the marketplace, we work with our clients to provide solutions to grow, manage and preserve wealth for today and for the future. The Entity continues to simplify and improve the way it conducts its business, including complying with HSBC Global Standards, financial crime compliance measures, customer due diligence and tax transparency standards.

The Entity's results for the year ended 31 December 2017 are as detailed in the income statement shown in these financial statements. The income statement is indicative of the Entity's performance and as such individual key performance indicators are not considered in the Strategic report.

Principal risks and uncertainties

The principal financial risks and uncertainties facing the Entity are credit risk, market risk, liquidity risk and funding risk. These risks, the exposure to such risks and management of risk are set out in Note 11 of the financial statements.

Market risk

Market risk is the risk that movements in market risk factors will affect the Entity's performance. Interest rate risk is the only type of market risk to which the Entity is directly exposed and this is managed by placing deposits with related group undertakings at call.

The Entity is indirectly exposed to market risk through their valuation of client investments in ISAs, structured products and managed portfolios, which impacts on the income derived from the management of these.

Credit risk

Credit risk is the risk that financial loss arises from a failure of a customer or counterparty to meet its obligations under the contract. The Entity's only significant credit exposure is to its parent and related group undertakings.

The maximum exposure to credit risk is represented by the carrying amount of all financial assets in the balance sheet. The Entity's exposure to credit risk is limited to HSBC Group entities and given their high credit ratings management does not expect these counterparties to fail to meet their obligations.

Liquidity and cashflow risk

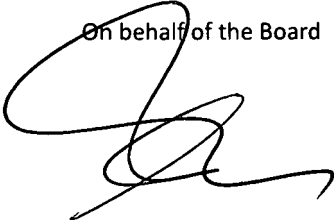
Liquidity risk is the risk that the Entity will not be able to meet its financial obligations as they fall due. The Entity holds sufficient levels of cash balances at all times, such that operational cash flows can be met.

HSBC Executor & Trustee Company (UK) Limited

Strategic report

The Entity maintains a strong compliance culture and monitors the regulatory environment closely to react proactively to changes and reduce risks to the business.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'D J Coke', written over the text 'On behalf of the Board'.

D J Coke
Director

18 September 2018

Registered office
8 Canada square
London E14 5HQ

HSBC Executor & Trustee Company (UK) Limited

Report of the Directors

Directors

The Directors who served during the year were as follows:

Name	Appointed	Resigned
D J Coke		
D A Morse		

The Articles of Association of the Entity provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Entity against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. All Directors have the benefit of Directors' and officers' liability insurance.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: nil).

Significant events since the end of the financial year

No important events affecting the Entity have occurred since the end of the financial year.

Future developments

No change in the Entity's activities is expected.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

Capital management

The Entity defines capital as total shareholders' equity. It is HSBC's objective to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times. There were no changes to the Entity's approach to capital management during the year.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Entity's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Entity's auditor is aware of that information.

Independent Auditor

PricewaterhouseCoopers LLP ('PwC') is external auditor to the Entity. PwC has expressed its willingness to continue in office and the Board recommends PwC be re-appointed as the Entity's auditor.

Report of the Directors

Disclosure of information to the Auditor and Statement of Directors' Responsibilities

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Entity's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Entity's auditor is aware of that information.

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on the next page, is made with a view to distinguish the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing, in accordance with applicable law and regulations, a Strategic Report, a Report of the Directors and financial statements for each financial year.

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and have elected to prepare the Entity's financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Entity and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on a going concern basis unless it is not appropriate. Since the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on a going concern basis.

The Directors have responsibility for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy at any time the financial position of the Entity and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



D J Coke
Director

18 September 2018

Registered office
8 Canada square
London E14 5HQ

HSBC Executor & Trustee Company (UK) Limited

Independent Auditor's Report to the Members of HSBC Executor & Trustee Company (UK) Limited

Report on the financial statements

Our opinion

In our opinion, HSBC Executor & Trustee Company (UK) Limited's financial statements (the 'financial statements'):

- give a true and fair view of the state of the Entity's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Financial Statements (the 'Annual Report'), comprise:

- the balance sheet as at 31 December 2017;
- the income statement and the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Director for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Entity and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

Other Matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Director's remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent Auditor's Report to the Members of HSBC Executor & Trustee Company (UK) Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (ISA (UK)). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Entity's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Carl Sizer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors
Birmingham

Dated: 18 October 2018

HSBC Executor & Trustee Company (UK) Limited

Financial Statements

Income statement for the year ended 31 December 2017

	<i>Notes</i>	2017 £'000	2016 £'000
Fee and commission income		23	19
Net fee income		23	19
Net operating income	2	23	19
General and administrative expenses		(5)	(6)
Total operating expenses		(5)	(6)
Profit before tax		18	13
Tax expense	5	(3)	(3)
Profit for the year		15	10

The notes on pages 11 to 22 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2017

All operations are continuing. There has been no comprehensive income or expense other than the profit for the year as shown above (2016: nil).

HSBC Executor & Trustee Company (UK) Limited

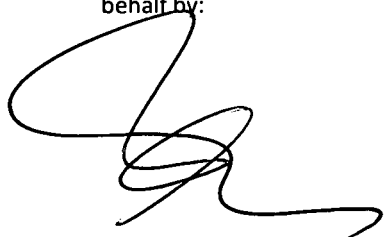
Financial Statements

Balance sheet as at 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Loans and advances to banks		226	212
Prepayments and accrued income		1	1
Total assets		<u>227</u>	<u>213</u>
Liabilities and equity			
Liabilities			
Accruals, deferred income and other liabilities	6	8	6
Current tax liabilities		3	6
Total liabilities		<u>11</u>	<u>12</u>
Equity			
Called up share capital	7	100	100
Retained earnings		116	101
Total equity		<u>216</u>	<u>201</u>
Total liabilities and equity		<u>227</u>	<u>213</u>

The notes on pages 11 to 22 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 18 September 2018 and signed on its behalf by:



D J Coke
Director

HSBC Executor & Trustee Company (UK) Limited

Financial Statements

Statement of cash flows for the year ended 31 December 2017

	<i>Notes</i>	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit before tax		18	13
Adjustments for:			
Non-cash items included in profit before tax	<i>8</i>	-	(11)
Change in operating assets	<i>8</i>	-	3
Change in operating liabilities	<i>8</i>	2	2
Tax paid		(6)	-
Net cash generated from operating activities		14	7
Net increase in cash and cash equivalents		14	7
Cash and cash equivalents brought forward		212	205
Cash and cash equivalents carried forward	<i>8</i>	226	212

The notes on pages 11 to 22 form an integral part of these financial statements.

HSBC Executor & Trustee Company (UK) Limited

Financial Statement

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	100	-	101	201
Profit for the year	-	-	15	15
Total comprehensive income for the year	-	-	15	15
At 31 December 2017	100	-	116	216

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	100	-	91	191
Profit for the year	-	-	10	10
Total comprehensive income for the year	-	-	10	10
At 31 December 2016	100	-	101	201

The notes on pages 11 to 22 form an integral part of these financial statements.

Equity is wholly attributable to equity shareholders of HSBC Executor & Trustee Company (UK) Limited.

1 Basis of preparation and summary of significant accounting policies

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all of the years presented, unless otherwise stated.

1.1 Basis of preparation

(a) Compliance with International Financial Reporting Standards

The financial statements of the Entity have been prepared in accordance with IFRSs as issued by the IASB, including interpretations ('IFRICs') issued by the IFRS Interpretations Committee, and as endorsed by the European Union ('EU').

At 31 December 2017, there were no unendorsed standards effective for the year ended 31 December 2017 affecting these financial statements and the Entity's application of IFRSs results in no differences between IFRSs as issued by the IASB and IFRSs as endorsed by the EU.

Standards adopted during the year ended 31 December 2017

The Company has adopted the requirements of IFRS 9 'Financial Instruments' relating to the presentation of gains and losses on financial liabilities designated at fair value from 1 January 2017 in the financial statements. As a result, the effects of changes in those liabilities' credit risk is presented in other comprehensive income with the remaining effect presented in profit or loss. As permitted by the transitional requirements of IFRS 9, comparatives have not been restated. Adoption has had no impact on profit or net assets.

There were no new standards applied during the year ended 31 December 2017. During 2017, the Entity adopted a number of interpretations and amendments to standards which had no effect on the financial statements of the Entity.

(b) Future accounting developments

Minor amendments to IFRSs

The IASB has published a number of minor amendments to IFRSs in the 'Annual Improvements to IFRSs 2014-2016' and in a series of stand-alone amendments which are effective from 1 January 2018, but which have not yet been endorsed for use in the EU. The Company expects they will have an insignificant effect, when adopted, on the financial statements. The Company has not early adopted any of the amendments effective after 31 December 2017, except the requirements of IFRS 9 'Financial Instruments' relating to the presentation of gains and losses on financial liabilities designated at fair value which was adopted from 1 January 2017.

Major new IFRSs

The IASB has published IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. IFRS 9 and IFRS 15 have been endorsed for use in the EU.

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Notes on the Financial Statements

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the Company's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. However, based on an assessment of financial assets performed to date and expectations around changes to balance sheet composition, the Entity expects that the overall impact of any change will not be significant.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39, and the resulting impairment charge will tend to be more volatile. IFRS 9 will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. IFRS 9 has had no impact on the level of impairment.

Transition

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Company does not intend to restate comparatives.

IFRS 15 'Revenue from Contracts with Customers'

In May 2014, the IASB issued IFRS 15 'Revenue from Contracts with Customers' and it is effective for annual periods beginning on or after 1 January 2018. IFRS 15 provides a principles-based approach for revenue recognition and introduces the concept of recognising revenue for performance obligations as they are satisfied. The Entity will adopt the standard on its mandatory effective date, and the standard will be applied on a modified retrospective basis, recognising the cumulative effect, if any, of initially applying the standard as an adjustment to the opening balance of retained earnings. The Entity has assessed the impact of IFRS 15 and expects that the standard will have no significant effect, when applied, on the financial statements of the Entity.

(c) Changes to the presentation of the financial statements and Notes on the Financial Statements

In order to make the financial statements and notes thereon easier to understand, the Entity has changed the location and the wording used to describe certain accounting policies within the notes, removed certain immaterial disclosures and changed the order of certain sections.

In applying materiality to financial statement disclosures, we consider both the amount and nature of each item. The main changes to the presentation of the financial statements and notes thereon in 2017 are as follows:

- Note 1.2 Summary of significant accounting policies: accounting policies have been placed within this note. These changes in the wording do not represent changes in accounting policies.

(d) Presentation of information

The financial statements present information about the Entity as an individual undertaking and not about its group.

The functional currency of the Entity is Sterling, which is also the presentational currency of the financial statements of the Entity.

(e) Critical accounting estimates and judgements

No critical accounting estimates or judgements have been used in the preparation of these financial statements.

(f) Going concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Entity has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources.

(g) Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date except non-monetary assets and liabilities measured at historical cost that are translated using the rate of exchange at the initial transaction date. Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

1.2 Summary of significant accounting policies

(a) Loans and advances to banks

These include loans and advances originated by the Entity, not classified as held for trading or designated at fair value. They are recognised when cash is advanced to a borrower and are derecognised when either the borrower repays its obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less impairment allowance.

Impairment of loans and advances

Loan impairment allowances represent management's best estimate of losses incurred in the loan portfolios at the balance sheet date. Management is required to exercise judgement in making assumptions and estimates when calculating loan impairment allowances on both individually and collectively assessed loans and advances.

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans or on groups of loans assessed collectively, are recorded as charges to the income statement and are recorded against the carrying amount of impaired loans on the balance sheet. Losses which may arise from future events are not recognised.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics; and,
- management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

(b) Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in the same statement in which the related item appears.

Current tax is the tax expected to be payable on the taxable profit for the year and any adjustment to tax payable in respect of previous years. The group provides for potential current tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet, and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax is calculated using the tax rates expected to apply in the periods as the assets will be realised or the liabilities settled.

Current and deferred tax is calculated based on tax rates and laws enacted, or substantively enacted, by the balance sheet date.

(c) Provisions, contingent liabilities and guarantees

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation that has arisen as a result of past events and for which a reliable estimate can be made.

(d) Called up share capital

Financial instruments issued are generally classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Notes on the Financial Statements

(e) Operating income

Interest income and expense

Interest income and expense for all financial instruments excluding those classified as held for trading or designated at fair value are recognised in 'Interest income' and 'Interest expense' in the income statement using the effective interest method.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee income

Income earned from the provision of services is recognised as revenue as the services are provided (for example, asset management services).

(f) General information

HSBC Executor & Trustee Company (UK) Limited is an Entity domiciled and incorporated in England and Wales.

(g) Historical cost convention

These financial statements have been prepared on a historical cost basis.

2 Operating Profit

Operating profit is stated after the following items of income, expense, gains and losses, and loan impairment charges and other credit risk provisions:

	2017 £'000	2016 £'000
Fee income		
Fees earned on trust and other fiduciary activities where the Entity holds or invests assets on behalf of its customers	23	19

3 Directors' emoluments

The Entity does not have any direct employees (2016: none). The Directors and staff are all employees of other group undertakings. The Directors who served during the year were remunerated by other Group undertakings which made no specific charge to this Entity for their services.

4 Auditors' remuneration

	2017 £'000	2016 £'000
Audit fees for HSBC Executor & Trustee Company (UK) Limited statutory audit:		
- Fees relating to current year	2	2
Total fees payable	<u>2</u>	<u>2</u>

Notes on the Financial Statements

5 Tax

Tax expense

	2017 £'000	2016 £'000
Current tax		
UK Corporation tax		
- for this year	3	3
Total tax expense for the year ended 31 December	3	3

The UK corporation tax rate applying to the Entity was 19.25% (2016: 20.00%).

The UK Government proposed to reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. A further rate reduction to 17% was proposed from 1 April 2020, instead of the reduction to 18% as originally planned. These reductions in the Corporation tax rate were enacted in the Finance (no2) Act 2016.

Tax reconciliation

The tax charged to the income statement differs from the tax expense that would apply if all profits had been taxed at the UK Corporation tax rate as follows:

	2017 £'000	%	2016 £'000	%
Profit before tax	17		13	
Tax at 19.25% (2016: 20.00%)	3	19.25	3	20.00
Total tax charged to the income statement	3	19.25	3	20.00

6 Accruals, deferred income and other financial liabilities

	2017 £'000	2016 £'000
Accruals and deferred income	4	4
Amounts owed to immediate parent undertaking	2	-
Other liabilities	2	2
	8	6

Amounts repayable to fellow subsidiary undertakings are unsecured, interest free and have no fixed date of repayments.

HSBC Executor & Trustee Company (UK) Limited

Notes on the Financial Statements

7 Called up share capital

	2017 £'000	2016 £'000
Issued, allotted and fully paid up 250,000 (2016: 250,000) Ordinary shares of £1 each, 40p paid As at 1 January and 31 December	100	100
Authorised: 250,000 (2016: 250,000) Ordinary shares of £1 each As at 1 January and 31 December	250	250

8 Reconciliation of profit before tax to net cash flow from operating activities

	2017 £'000	2016 £'000
a) Change in operating assets		
Change in prepayments and accrued income	-	3
	-	3
b) Change in operating liabilities		
Change in accruals and deferred income	-	2
Change in other liabilities	2	-
	2	2
c) Cash and cash equivalents comprise		
Loans and advances to banks of one month or less	226	212
	226	212

HSBC Executor & Trustee Company (UK) Limited

Notes on the financial statements

9 Analysis of financial assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The following table analyses the carrying amount of financial assets and liability by category as defined in IAS 39 and by balance sheet heading:

	Loans and receivables £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
At 31 December 2017			
Assets			
Loans and advances to banks	226	-	226
Prepayments and accrued income	-	1	1
Total financial assets	226	1	227
Total assets			227
Liabilities			
Accruals, deferred income and other liabilities	-	8	8
Total financial liabilities	-	8	8
Total non-financial liabilities			3
Total liabilities			11
	Loans and receivables £'000	Financial assets and liabilities at amortised cost £'000	Total £'000
At 31 December 2016			
Assets			
Loans and advances to banks	212	-	212
Prepayments and accrued income	-	1	1
Total financial assets	212	1	213
Total assets			213
Liabilities			
Accruals, deferred income and other liabilities	-	6	6
Total financial liabilities	-	6	6
Total non-financial liabilities			6
Total liabilities			12

Notes on the financial statements

10 Fair value of financial instruments not carried at fair value

For all financial instruments, the fair value is equal to the carrying value in the balance sheet, except as analysed below; that is because they are short-term in nature or reprice to current market rates frequently. Fair value is assumed to equal carrying value for all balances repricing in less than six months.

Determination of fair value

Fair values of financial assets and liabilities are determined according to the following hierarchy:

- (a) Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that HSBC can access at the measurement date.
- (b) Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- (c) Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Where repricing is greater than six months using discounted cash flow, each loan or deposit is valued using a LIBOR-based discount curve applied to the expected cash flows.

		Fair values			
		Valuation techniques			
	Carrying amount	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
At 31 December 2017					

Assets					
Loans and advances to banks	226	-	226	-	226

					Fair values
					Valuation techniques
	Carrying amount	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
		Level 1	Level 2	Level 3	
		£'000	£'000	£'000	£'000
At 31 December 2016					

Assets					
Loans and advances to banks	212	-	212	-	212

11 Management of financial risk

All of the Entity's activities involve to varying degrees, the analysis, evaluation, acceptance and management of risks or combination of risks. The most important types of risk include financial risk, which comprises credit risk, liquidity risk and market risk. The management of financial risk and consideration of profitability, cash flows and capital resources form a key element in the Directors' assessment of the Entity as a going concern.

a) Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Entity fails to meet a payment obligation under a contract.

The maximum exposure to credit risk is represented by the carrying amount of the financial assets in the balance sheet. The Entity's exposure to credit risk is limited to HSBC Group entities and given their high credit ratings management does not expect these counterparties to fail to meet their obligations.

b) Liquidity risk management

Liquidity risk is the risk that the Entity does not have sufficient financial resources to meet obligations as they fall due or will have access to such resources only at an excessive cost. The risk arises from mismatches in the timing of cash flows.

The Entity holds sufficient levels of cash balances at all times, such that operational cash flows can be met.

c) Market risk management

Market risk is the risk that movements in market factors including interest rates, foreign exchange rates or equity and commodity prices will impact the Entity's income or the value of its portfolios.

The Entity's objective is to manage and control market rate exposures while maintaining a market profile consistent with its risk appetite.

Disclosure on market price risk, foreign exchange risk and interest rate risk are provided below.

Market price

The Entity is indirectly exposed to market price risk through their valuation of client investments in managed portfolios, which impacts on the income derived from the management of these.

Foreign exchange risk

The Entity has no material foreign exchange risk as all balances and transactions are in sterling.

Interest rate risk

Interest rate risk is the risk that a change in interest rates will affect the Entity's performance. The Entity manages its interest rate risk by placing deposits with HSBC Bank Plc.

A change of 100bp in interest rates at the reporting date would have increased/decreased profits by £2k (2016: £2k). This analysis assumes that other variables remain constant.

Notes on the Financial Statements

12 Related party transactions

a) Transactions with Directors and other Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Entity and includes members of the Board of Directors.

b) Transactions with other related parties

Transactions detailed below include amounts due to/from HSBC Trust Company (UK) Limited.

	2017	2016
	Balance at	Balance at
	31 December¹	31 December¹
	£'000	£'000
Liabilities		
Other liabilities	2	-
	2017	2016
	£'000	£'000
Income statement		
General and administrative expenses	5	4

Transactions detailed below include amounts due to/from Other Group Entities.

	2017	2016
	Balance at	Balance at
	31 December¹	31 December¹
	£'000	£'000
Assets		
Loans and advances to banks	226	212

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

13 Parent undertakings

The ultimate parent undertaking and ultimate controlling party is HSBC Holdings plc which is the parent undertaking of the largest group to consolidate these financial statements. HSBC Bank Plc is the parent undertaking of the smallest group to consolidate these financial statements.

The immediate parent undertaking is HSBC Trust Company (UK) Limited. All companies are registered in England and Wales. The immediate parent undertaking of HSBC Trust Company (UK) Limited is HSBC Bank plc. The immediate parent undertaking of HSBC Trust Company (UK) Limited will change to HSBC UK Bank plc on 1st July 2018.

Copies of HSBC Holdings plc and HSBC Trust Company (UK) Limited consolidated financial statements can be obtained from:

8 Canada square
London E14 5HQ
www.hsbc.com

14 Events after the balance sheet date

There are no significant events after the balance sheet date.